RECORD
AND
BRIEFS

FILED
FEB - 6 2017

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOOD BRANDS GROUP LLC,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

MATTHEW D. MCGILL
Counsel of Record
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
mmcgill@gibsondunn.com

ALEXANDER N. HARRIS
GIBSON, DUNN & CRUTCHER LLP
555 Mission Street, Suite 3000
San Francisco, CA 94105
(415) 393-8200

Counsel for Amicus Curiae the Software & Information Industry Association

TABLE OF CONTENTS

Page

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 5

I. This Court's Settled Interpretation Of The Patent Venue Statute Controls This Case 5

A. This Court Conclusively Interpreted The Patent Venue Statute In *Fourco*. 6

B. The Federal Circuit Departed From This Court's Interpretation Based On A Non-Substantive Change That, In Any Event, Congress Has Since Repealed 9

1. The Federal Circuit Misread A Minor 1988 Amendment As Upending The Law Of Patent Venue. 9

2. The 2011 Amendment Restored The Language Interpreted In Fourco. 11

3. Congress Specifically Limited Section 1391(c)'s Applicability 13

C. This Court's Interpretation Of Patent Venue Warrants *Stare Decisis* Treatment. 14

II. The Unseemly Forum Shopping Permitted Under The Federal Circuit's Construction Of The Statute Is A Significant Drag On Innovation. 17

A. The Federal Circuit's Loose Venue Standard Has Generated Rampant And Unseemly Forum Shopping. 19

TABLE OF CONTENTS (*continued*)

Page

1. VE Holding Has Rendered Patent Litigation Dysfunctional. 19

2. Motions To Transfer For Convenience Have Not Solved The Problem. 25

B. Forum Shopping Is The Root Of Many Problems In Patent Law. 27

CONCLUSION 33

TABLE OF AUTHORITIES

Page(s)

Cases

Alice Corp. Pty. Ltd. v. *CLS Bank Int'l*,
134 S. Ct. 2347 (2014) 28

Andrews v. *Hovey*,
124 U.S. 694 (1888) 17

Avocent Huntsville Corp. v. *Aten Int'l Co.*,
552 F.3d 1324 (Fed. Cir. 2008) 20

Beverly Hills Fan Co. v. *Royal Sovereign Corp.*,
21 F.3d 1558 (Fed. Cir. 1994) 20

Bloate v. *United States*,
559 U.S. 196 (2010) 7

Brunette Mach. Works, Ltd. v. *Kockum Indus., Inc.*,
406 U.S. 706 (1972) 13, 15

Chisom v. *Roemer*,
501 U.S. 380 (1991) 10

Cuozzo Speed Techs., LLC v. *Lee*,
136 S. Ct. 2131 (2016) 29

D. Ginsberg & Sons, Inc. v. *Popkin*,
285 U.S. 204 (1932) 7

TABLE OF AUTHORITIES (*continued*)

Page(s)

Fourco Glass Co. v. *Transmirra Products Corp.*,
353 U.S. 222 (1957)
..... 2, 6, 7, 8, 11, 12, 13, 14, 15, 21, 33

In re Google Inc.,
No. 2015-138, 2015 WL 5294800 (Fed. Cir. July 16, 2015)..... 27

Halo Elecs., Inc. v. *Pulse Elecs., Inc.*,
136 S. Ct. 1923 (2016)..... 22, 31

Hertz Corp. v. *Friend*,
559 U.S. 77 (2010)..... 15

John R. Sand & Gravel Co. v. *United States*,
552 U.S. 130 (2008)..... 14

Kellogg Brown & Root Servs., Inc. v. *United States*,
135 S. Ct. 1970 (2015)..... 10

Kimble v. *Marvel Entm't, LLC*,
135 S. Ct. 2401 (2015)..... 3, 14, 15, 17

Patterson v. *McLean Credit Union*,
491 U.S. 164 (1989)..... 15

Planned Parenthood of Se. Penn. v. *Casey*,
505 U.S. 833 (1992)..... 18

Polar Electro Oy v. *Suunto Oy*,
829 F.3d 1343 (Fed. Cir. 2016)..... 19

TABLE OF AUTHORITIES (*continued*)

Page(s)

Roberts v. *Sea-Land Servs., Inc.*,
132 S. Ct. 1350 (2012) 16

Shaw v. *Quincy Mining Co.*,
145 U.S. 444 (1892) 8

Stonite Prods. Co. v. *Melvin Lloyd Co.*,
315 U.S. 561 (1942) 6

Train v. *City of New York*,
420 U.S. 35 (1975) 12

TRW Inc. v. *Andrews*,
534 U.S. 19 (2001) 16

In re TS Tech USA Corp.,
551 F.3d 1315 (Fed. Cir. 2008) 26, 27

United Sav. Ass'n of Tex. v. *Timbers of Inwood Forest Assocs.*,
484 U.S. 365 (1988) 10

VE Holding Corp. v. *Johnson Gas Appliance Co.*,
917 F.2d 1574 (Fed. Cir. 1990) 2, 9, 12, 14, 19

Whitman v. *Am. Trucking Ass'ns, Inc.*,
531 U.S. 457 (2001) 10

In re Zimmer Holdings, Inc.,
609 F.3d 1378 (Fed. Cir. 2010) 26

Statutes

28 U.S.C. § 48 6

TABLE OF AUTHORITIES (*continued*)

Page(s)

28 U.S.C. § 1332(c)(1) 15

28 U.S.C. § 1391(a) 3, 14

28 U.S.C. § 1391(c) 3, 5, 7, 8, 10, 11, 12, 13

28 U.S.C. § 1391(c)(2) 11, 19

28 U.S.C. § 1400(b) 2, 6, 7, 8, 9, 15

28 U.S.C. § 1404(a) 4

Pub. L. No. 112-29, 125 Stat. 284 (2011) 16

Other Authorities

29 Cong. Rec. 1900 (daily ed. Feb. 16, 1897) 6

Brian Howard, *Lex Machina Q4 Litigation Update*, Lex Machina (Jan. 12, 2017) 23

Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1 (2017) 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33

Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue* 7-8 (Santa Clara Univ. Legal Studies Research Paper No. 10-1, 2016) 6, 21, 22, 23, 24, 25, 27, 32, 33

Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461 (2014) 22

TABLE OF AUTHORITIES (*continued*)

Page(s)

Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016) 24, 25, 27, 28, 29

Debra Brubaker Burns, *Titans and Trolls Enter the Open-Source Arena*, 5 Hastings Sci. & Tech. L.J. 33 (2013) 22

E.D. Tex. R. CV-26(a) 29

Elizabeth P. Offen-Brown, *Forum Shopping and Venue Transfer in Patent Cases: Marshall's Response to* TS Tech *and* Genetech, 25 Berkeley Tech. L.J. 61 (2010). 32

Executive Office of the President, *Patent Assertion and U.S. Innovation* (2013), https://obamawhitehouse.archives.gov/sites/default/ files/docs/patent_report.pdf 23, 31, 32

Fed. Trade Comm'n, Patent Assertion Entity Activity (2016) 22, 30

Garry A. Gabison, *Spotting Software Innovation in a Patent Assertion Entity World*, 8 Hastings Sci. & Tech. L.J. 97 (2016) 22

H.R. REP. NO. 100-889 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982 10

TABLE OF AUTHORITIES (*continued*)

Page(s)

J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015) 28, 31

James Bessen et al., *The Private and Social Costs of Patent Trolls*, 34 Regulation, Winter 2011-2012 23

Joe Mullin, *Trolls Made 2015 One of the Biggest Years Ever for Patent Lawsuits*, ArsTechnica (Jan. 5, 2016) 24

Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 Am. U. L. Rev. 961 (2014) 21

Kaleigh Rogers, *The Small Town Judge Who Sees a Quarter of the Nation's Patent Cases*, Vice (May 5, 2016) 23

Kevin A. Meehan, *Shopping for Expedient, Inexpensive & Predictable Patent Litigation*, 2008 B.C. Intell. Prop. & Tech. F., Nov. 2008, http://bciptf.org/2008/11/meehan 23

Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889 (2001) 21, 32

Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Ind. L. Rev. 343 (2012) 25

TABLE OF AUTHORITIES (*continued*)

Page(s)

RPX, *2015 NPE Activity Highlights* 4 (2016), http://www.rpxcorp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf. 24

Teresa Lii, *Shopping for Reversals: How Accuracy Differs Across Patent Litigation Forums*, 12 Chi.-Kent J. Intell. Prop. 31 (2013) 32

Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J. L. & Tech. 193 (2007) 31

INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Software & Information Industry Association ("SIIA") is the principal trade association for the software and digital information industries. The 700-plus software companies, search engine providers, data and analytics firms, information service companies, and digital publishers that constitute SIIA's membership serve nearly every segment of society, including business, education, government, healthcare, and consumers.

SIIA's members regularly are targeted by made-for-litigation entities who assert infringement of patents they do not practice. Such non-practicing entities, who may exist on paper only and typically have few or no employees to inconvenience, generally file their lawsuits in hand-picked district courts with well-established reputations for imposing procedures and delivering outcomes favorable to patent holders, and which have no connection to the dispute beyond the fact that a nationally distributed product was sold or used there.

Amicus has substantial interests in restoring the statutory limits on patent venue, redressing the forum shopping that has infected patent litigation in recent years, and ensuring that the balance struck by Congress in 28 U.S.C. § 1400(b) is respected.

---

[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored any portion of this brief, and no person other than *amicus curiae* or its counsel or members made any monetary contribution intended to fund the preparation or submission of the brief. All parties have consented to the filing of this brief.

SUMMARY OF THE ARGUMENT

Sixty years ago, in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court answered the very question presented here: "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." *Id.* at 222. The pertinent provisions of both the specific patent venue statute and the general venue provision in effect today are materially identical to those in effect in *Fourco*. Accordingly, this Court should reaffirm *Fourco* and reverse the decision below.

I. The Court should adhere to *Fourco*'s settled interpretation.

A. *Fourco* held that Section 1400(b) stands alone and permits patent-infringement suits against corporations only where they are incorporated or have a regular and established place of business and committed acts of infringement. 353 U.S. at 226, 229.

B. In 1990, the Federal Circuit distinguished *Fourco* on the basis of a 1988 amendment, which changed Section 1391(c)'s stated sphere of applicability from "for venue purposes" to "[f]or purposes of venue under this chapter." *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals rejected *Fourco* based on this minor modification, arguing that the change entitled it to interpret the statute "as a matter of first impression." That decision was incorrect. Nothing in the text or history of the 1988 amendment even remotely suggested that Congress intended to end the

venue rules that had governed patent cases specifically for decades.

Regardless, in 2011, Congress amended Section 1391(c) again, restoring the pertinent language to much the same as existed when *Fourco* was decided: "for all venue purposes." Congress further clarified that Section 1391 applies "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a). Thus, even if *VE Holding* were correct when it was decided—and it was not—Section 1391(c) now has been returned to substantially the same language as existed when *Fourco* was decided. There accordingly should be no doubt that *Fourco*'s construction of Congress's venue statutes is the law today.

C. Under this Court's principles of *stare decisis*, *Fourco should* remain the law. Far from presenting any "special justification" for overturning *Fourco*, changes in the decades since the decision issued have confirmed that its rule remains correct. *See Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). Section 1391(c) allows the exercise of venue over a corporate defendant up to the very limits of the Due Process Clause. Reading that provision into Section 1400(b) would effectively eliminate the venue limitations Congress enacted Section 1400(b) to install.

II. Decades of experience have shown how critical these limitations are. The Federal Circuit's rejection of *Fourco* has opened the doors of virtually every district court in the nation to infringement suits against virtually every technology and software company. The rampant and unseemly forum shopping that has followed imposes outsized costs on innovation in this critical industry.

A. Non-productive paper entities, known as "patent trolls," have taken full advantage of the opportunity to select the court that will hear their cases. Unsurprisingly, trolls have concentrated their suits in districts that accord them procedural and substantive advantages. Motions to transfer "[f]or the convenience of parties and witnesses, in the interest of justice," under 28 U.S.C. § 1404(a) have not cured this problem.

B. Forum shopping contributes to many of the evils of modern patent litigation. Patent trolls naturally select districts that are less likely to terminate litigation before trial. Not only are dispositive pretrial motions generally unsuccessful in these forums; typically, these courts require defendants to engage in time-consuming and expensive discovery—often including vast document production and depositions of key engineers that distract them from critical functions within their company—before the court will even decide the motions. Even when the litigation clearly lacks merit, these burdens often compel defendants to settle. Massive verdicts that predictably favor plaintiffs—the top patent district once maintained an eighteen-year streak where no jury found for a defendant—add more pressure to abandon meritorious defenses in favor of a speedy resolution.

Forum shopping thus hampers innovation, generates erroneous results, and undermines respect for the rule of law. Reaffirming *Fourco* would alleviate these ills and restore the balance of convenience and fair play among patent litigants struck by Congress.

ARGUMENT

I. THIS COURT'S SETTLED INTERPRETATION OF THE PATENT VENUE STATUTE CONTROLS THIS CASE.

Ever since Congress, in the late nineteenth century, passed a restrictive patent venue statute to curb forum shopping and its attendant abuses, this Court consistently has held that a defendant corporation may not be sued in a venue where it is not incorporated if it has no regular and established place of business in that district. The Court repeatedly has explained that "where the defendant resides" (and its synonyms), as used in the special patent venue statute, means only a corporation's place of incorporation. This Court has hewed to this settled interpretation even in view of Congressional rewordings of the patent venue statute and in view of the existence of a general venue statute, 28 U.S.C. § 1391(c).

Despite this settled interpretation, in 1990, the Federal Circuit jettisoned this Court's precedent based on a minor change in Section 1391(c)'s statement of its applicability. That decision was erroneous. But even if it were not, Congress again amended Section 1391 in 2011, and undid the changes to Section 1391 that undergirded the Federal Circuit's reasoning. The pertinent language is now materially identical to the language in effect when this Court last considered the proper scope of Section 1400(b) in *Fourco*. *Fourco* accordingly controls.

A. This Court Conclusively Interpreted The Patent Venue Statute In *Fourco*.

In 1897, Congress passed a special patent venue statute designed as "a restrictive measure" to "limit[] a prior, broader venue" and to "define the exact limits of venue in patent infringement suits." *Stonite Prods. Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561, 566 (1942). Congress was aware of the abuses of then-called "patent sharks," who used the threat of inconvenient legal proceedings to extract settlements. *See* Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue* 7-8 (Santa Clara Univ. Legal Studies Research Paper No. 10-1, 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130. As the 1897 Act's primary sponsor noted, its "main purpose" was to restrict patent venue to districts where a defendant had "established" a "permanent agency," as opposed to anywhere "[i]solated cases of infringement" had occurred. 29 Cong. Rec. 1900 (daily ed. Feb. 16, 1897) (statement of Rep. Lacey); *see also* Pet. Br. 2-4, 21-23.

In *Stonite*, this Court held that Section 48 of the Judicial Code, derived from the 1897 Act, was "the exclusive provision controlling venue in patent infringement proceedings" and is not "supplemented by § 52 of the Judicial Code," a general venue provision. 315 U.S. at 561-63. In 1948, Congress re-codified Section 48 as 28 U.S.C. § 1400(b), with some immaterial word changes. *See Fourco Glass Co.* v. *Transmirra Prods. Corp.*, 353 U.S. 222, 225-26 (1957).[2]

---

[2] Section 48 of the Judicial Code had read: "In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district

Then, in *Fourco*, the Court held that Section 1400(b), like its predecessor, stands alone. 353 U.S. at 229. The Court reversed the Second Circuit, which had held that Section 1400(b) should be read in light of a new provision, 28 U.S.C. § 1391(c), which the court of appeals had viewed as "defin[ing] ... corporate residence" in all venue provisions. *Fourco*, 353 U.S. at 223-24 (citation omitted). Section 1391(c) stated that "any judicial district in which [a corporation] is incorporated or licensed to do business or is doing business ... shall be regarded as the residence of such corporation for venue purposes." *Fourco*, 353 U.S. at 223.

Nonetheless, "[h]owever inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment. ... Specific terms prevail over the general in the same or another statute which otherwise might be controlling.'" *Fourco*, 353 U.S. at 228-29 (quoting *D. Ginsberg & Sons, Inc.* v. *Popkin*, 285 U.S. 204, 208 (1932)); *accord*, *e.g.*, *Bloate* v. *United States*, 559 U.S. 196, 207-08 (2010); *see* Pet. Br. 26-28. Applying this "settled" canon, the Court held that Section 1391(c) "is a general corporation venue statute," which does not affect the "special venue statute," Section 1400(b). *Fourco*, 353 U.S. at 228. However "clear and generally embracive" Section 1391(c) is, Section

---

in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Fourco*, 353 U.S. at 225. In this context, "resident" and "inhabitant" are synonymous and "mean the state of incorporation only." *Id.* at 226; *see also* Pet. Br. 2-6.

1400(b) is "equally clear." *Ibid.* Section 1400(b) "is complete, independent and alone controlling." *Ibid.*

Fourco thus reaffirmed *Stonite*'s holding that the special patent venue statute stands on its own and is not to be read in light of any definition in the general venue statute. *Fourco*, 353 U.S. at 223-24, 228-29. The Court reaffirmed *Stonite* because Congress's later re-codifications and revisions to the patent venue statute were not "substantive." *Id.* at 225-28. Thus, *Fourco* "h[e]ld that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229.

Under *Fourco*'s stand-alone interpretation of Section 1400(b), a corporation is resident in "the state of incorporation only." *Fourco*, 353 U.S. at 226. That is how corporate residence was understood when the patent venue statute was enacted (as even respondent admits, BIO 7 n.1), and Congress has not amended that definition (as it did for actions arising under different laws). *Fourco*, 353 U.S. at 226 (citing *Shaw* v. *Quincy Mining Co.*, 145 U.S. 444, 449 (1892)). Patent-infringement lawsuits therefore may be brought only where the defendant is incorporated "or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b); *Fourco*, 353 U.S. at 223. As respondent recognizes, under *Fourco*, these are the "only two choices for where patent infringement cases 'may be brought.'" BIO 7.

B. The Federal Circuit Departed From This Court's Interpretation Based On A Non-Substantive Change That, In Any Event, Congress Has Since Repealed.

1. *The Federal Circuit Misread A Minor 1988 Amendment As Upending The Law Of Patent Venue.*

This Court's word remained the law of patent venue until 1990, when the Federal Circuit found *Fourco* no longer to be controlling. *See VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals concluded that a 1988 revision to Section 1391(c), which had changed "for venue purposes" to the less general "[f]or purposes of venue under this chapter," required that court to reexamine the interplay of Section 1391(c) and Section 1400(b) "as a matter of first impression." *Ibid.*

The Federal Circuit reasoned that the statutory language interpreted in *Fourco* was "nonspecific," and that "Section 1391(c) as it was in *Fourco* is no longer." *VE Holding*, 917 F.2d at 1579. Believing the interpretative slate to be blank, the court of appeals wrote that "Section 1391(c) applies to all of chapter 87 of title 28, and thus to § 1400(b), as expressed by the words 'For purposes of venue under this chapter.'" *Id.* at 1580. But the Federal Circuit did not suggest why the even more general language at issue in *Fourco*—"for venue purposes"—would not, "as a matter of first impression," lead to the same result. *Id.* at 1579; *see* Pet. Br. 24-26. And the Federal Circuit located nothing in the history of the 1988 amendment to suggest that Congress intended to free patent infringement cases from

the venue strictures specifically legislated 89 years before.

The Federal Circuit's reading of Section 1391(c) was incorrect. "Fundamental changes in the scope of a statute are not typically accomplished with so subtle a move." *Kellogg Brown & Root Servs., Inc.* v. *United States*, 135 S. Ct. 1970, 1977 (2015). Rather, this Court "expect[s]" to see "language that made this important modification clear to litigants and courts." *Ibid.* Here, the provision amending Section 1391(c) was located in a "Miscellaneous Amendments" title of the 1988 Act, and Congress classified it as among that Act's "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Both Congress's reference to the amendment as "Miscellaneous" and the House Report's characterization of it as "minor" bely respondent's suggestion that it effected a "sweeping" revision of patent venue. *Chisom* v. *Roemer*, 501 U.S. 380, 396 n.23 (1991). It is "most improbable" that Congress would make "[s]uch a major change" without "any mention in the legislative history"—beyond calling the amendment "minor." *United Sav. Ass'n of Tex.* v. *Timbers of Inwood Forest Assocs.*, 484 U.S. 365, 380 (1988). *VE Holding* therefore erred in finding an elephant in the mousehole Congress dug in 1988. *See Whitman* v. *Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001); Pet. Br. 31.

2. *The 2011 Amendment Restored The Language Interpreted In* Fourco.

Even if *VE Holding*'s reasoning was correct when it was decided—and it was not—in 2011, Congress revised Section 1391(c) again to make it materially identical to the version this Court already had interpreted in *Fourco*. *See* Pet. App. 4a-5a. The version of Section 1391(c) in effect when *Fourco* was decided stated that its corporate residency provisions applied "for venue purposes." 353 U.S. at 323. The version in effect since 2011 says "[f]or all venue purposes." Pet. App. 5a.

28 U.S.C. § 1391(c) (1948)	**28 U.S.C. § 1391(c)(2) (2011)**
(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation **for venue purposes**.	(c) Residency.—**For all venue purposes**— ... (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question ...

The pertinent language is the same except for the addition of "all." Here, "the word[s] '[venue purposes]' ha[ve] no different meaning and can be ascribed no

different function in the context of § [1391(c)] than would the words 'all [venue purposes].'" *Train* v. *City of New York*, 420 U.S. 35, 44 (1975). Both are equally "nonspecific" (*VE Holding*, 917 F.2d at 1579); in context, they mean the same thing. Gone are the words "under this chapter" that *VE Holding* held to be the "exact and classic language of incorporation" and thus dispositive. *Ibid.*; *see also* Pet. 6.

Therefore, because there is "no substantive change" from the language this Court interpreted in *Fourco*, *Fourco* is still controlling. 353 U.S. at 228. Indeed, that was the very reason *Fourco* gave for reaffirming *Stonite*: Even though the statute had been amended, these revisions did not effect a "substantive change" in the statute. *Ibid.*

Respondent does not account for the substantive equivalence between the statutory language in effect in *Fourco* and the language in effect today. In its brief opposing certiorari, respondent argued that the 1988 amendments rendered Section 1391(c) "definitional," and thus that the statute today "define[s] 'resides' in § 1400(b) through § 1391(c)." BIO 11-14, 23-24. But this Court in *Fourco* rejected the same argument based on essentially the same statutory language. 353 U.S. at 223-24. At the time of *Fourco*, Section 1391(c) provided that the listed "judicial district *shall be regarded* as the residence of such corporation for venue purposes." *Id.* at 223 (emphasis added). Today, it provides that, "[f]or all venue purposes," a corporation "*shall be deemed* to reside, if a defendant, in" the listed "judicial district." 28 U.S.C. § 1391(c) (emphasis added). These two phrases—"shall be regarded" and "shall be deemed"—mean the same thing. "Shall be deemed" is no more "definitional" (BIO 11) than

"shall be regarded." If, as this Court held, the phrase "shall be regarded" does not "stat[e] a principle of broad and overriding application" sufficient to trump the specific venue provision (*id.* at 14 (quoting *Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 714 (1972)), then nor does "shall be deemed."

Apparently recognizing this obstacle to its statutory interpretation, respondent incorrectly attempts to rewrite *Fourco*, arguing that "*Fourco* did not directly address the import of" Section 1391(c)'s "ostensibly definitional clause." BIO 8. That is demonstrably incorrect. The Court both quoted that clause and rejected the court of appeals' interpretation of it as supplying "the definition of corporate residence" for Section 1400(b). *Fourco*, 353 U.S. at 223-24 (citation omitted). *Fourco* held that the "ostensibly definitional clause" did not in fact reach so far as to define away the meaning of "resides" in "the sole and exclusive provision controlling venue in patent infringement actions," Section 1400(b). *Id.* at 229.

Respondent does not, and cannot, explain how the Court in *Fourco* could have held that Section 1400(b) "is complete, independent and alone controlling in its sphere"—a sphere for which residence means "the state of incorporation only" (*id.* at 226, 228)—if Section 1391(c)'s "ostensibly definitional clause" (BIO 8) defined "resides" in Section 1400(b). Its assertions to the contrary cannot withstand scrutiny.

3. *Congress Specifically Limited Section 1391(c)'s Applicability.*

The revisions to Section 1391 since *Fourco*—there have been no revisions to Section 1400(b)—confirm

Fourco's holding that Section 1391's general provisions defining corporate residence do not apply to Section 1400(b). The 2011 amendment to Section 1391 not only deleted the change that *VE Holding* held dispositive (917 F.2d at 1579); it also added affirmative language explicitly providing that Section 1391 applies "*[e]xcept* as otherwise provided by law" (28 U.S.C. § 1391(a) (emphasis added)). Because Section 1400(b), as interpreted by this Court, is a different provision of law, providing "otherwise" than the general corporate residency provisions of Section 1391(c), Section 1400(b)—and not Section 1391(c)—alone governs within its sphere, just as it did in *Fourco*. 353 U.S. at 228; *see* Pet. Br. 39.

C. This Court's Interpretation Of Patent Venue Warrants *Stare Decisis* Treatment.

Respondent does not even argue that *Fourco* was wrong when it was decided, or provide any reason (other than the immaterial linguistic changes discussed in Part I.B, *supra*) that this Court should depart from *Fourco*. That is for good reason. *Fourco* warrants *stare decisis* treatment, and should be reaffirmed.

"*[S]tare decisis* in respect to statutory interpretation has 'special force.'" *John R. Sand & Gravel Co.* v. *United States*, 552 U.S. 130, 139 (2008). "Then, unlike in a constitutional case, critics of [the Court's] ruling can take their objections across the street, and Congress can correct any mistake it sees." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). "All" of this Court's "interpretive decisions, in whatever way reasoned, effectively become part of the statutory

scheme." *Ibid.*; *see* Pet. Br. 28-30. So a "special justification" is necessary to overrule *Fourco*. *Kimble*, 135 S. Ct. at 2409. If it "has not been undermined by subsequent changes or development in the law," it should be followed. *See Patterson* v. *McLean Credit Union*, 491 U.S. 164, 173 (1989).

Far from being undermined, *Fourco* was correctly decided and remains correct today. Section 1400(b)'s language provides for venue "[1] where the district resides, or [2] where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). The judicial district where a defendant resides, within the meaning of the statute special to patent infringement actions, is the place where it is incorporated. *Brunette*, 406 U.S. at 707 n.2.[3] As this Court reaffirmed in the years since *Fourco*, this result "is not affected by § 1391(c), which expands for general venue purposes the definition of the residence of a corporation," because in Section 1400(b) "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette*, 406 U.S. at 711-13.

The term "resides" must be interpreted as it was in *Fourco* if Section 1400(b) is to have any application. Respondent would construe Section 1400(b) "in a manner that renders it 'entirely superfluous in all but

---

[3] Today, for purposes of diversity jurisdiction, a corporation is a "citizen" both where it is incorporated and where it has its principal place of business. 28 U.S.C. § 1332(c)(1). That relatively recent provision (*see Hertz Corp.* v. *Friend*, 559 U.S. 77, 84-88 (2010)) is distinct from the historically consistent meaning of "resides" in the special patent venue statute (*see Fourco*, 353 U.S. at 226).

the most unusual circumstances.'" *Roberts* v. *Sea-Land Servs., Inc.*, 132 S. Ct. 1350, 1358 (2012) (quoting *TRW Inc.* v. *Andrews*, 534 U.S. 19, 29 (2001)). Construing "resides" in clause [1] to impose no greater limit than that already imposed by "personal jurisdiction" (28 U.S.C. § 1391(c)(2)) obviates any need for clause [2]. Respondent's reading renders clause [1] superfluous (since Section 1391(b) already provides for venue where the defendant resides) and clause [2] a nullity. Under such a reading, no cases against corporations could be brought under clause [2] that do not also satisfy clause [1]. *Fourco*'s construction, in contrast, avoids surplusage problems by making personal jurisdiction an independent limit—whether venue is found under clause [1] or clause [2].

Moreover, only if residency is limited to the judicial district of incorporation can Section 1400(b) be squared with other statutory provisions. As respondent does not deny (BIO 20-22), its reading would define residency differently for venue purposes (in Section 1400(b)) than for service of process of a patent infringement action (in 28 U.S.C. § 1694). *See* Pet. Br. 32-33. And (as respondent does not even acknowledge) it would render nugatory Section 18(c) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 331 (2011), which provides that an automated teller machine is not "a regular and established place of business." If a company's *residency* could be established by locating allegedly infringing ATMs in a district, as the Federal Circuit would have it, then this provision would be without force. *See* Pet. Br. 30-31.

Congress had ample opportunity to revise or eliminate Section 1400(b), but—as explained in Section

I.B, *supra*—it has declined to do so. There is thus no reason to think that Congress has overruled *Fourco*, and much reason to think that Congress has instead acted as if *Fourco* is "part of the statutory scheme." *Kimble*, 135 S. Ct. at 2409. While the decision below reasoned that Congress "recognized that *VE Holding* is the prevailing law" (Pet. App. 8a), it is *this Court's* interpretation that forms part of the statutory scheme. The "construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews* v. *Hovey*, 124 U.S. 694, 716 (1888). The venerable doctrine that, "where the meaning of a statute has been settled by judicial construction, that construction becomes a part of the statute, is not applicable" to a lower court's construction. *Ibid.* If "this [C]ourt" has not yet addressed the question—perhaps due to the difficulty of seeking "appellate review of a venue issue" (Cert. Reply at 8-9)—this Court does not presume that Congress treats the last pronouncement of the "Circuit Court" as definitive. *Andrews*, 124 U.S. at 716. That is especially so where, as here, the Court already *has* answered the question—the opposite way as the circuit court.

This Court should reverse the decision below and reaffirm that *Fourco* is still the law.

II. THE UNSEEMLY FORUM SHOPPING PERMITTED UNDER THE FEDERAL CIRCUIT'S CONSTRUCTION OF THE STATUTE IS A SIGNIFICANT DRAG ON INNOVATION.

There is another reason to "follow" *Fourco*: numerous "prudential and pragmatic considerations"

supporting an independent interpretation of Section 1400(b) have become evident through 27 years' experience under the Federal Circuit's erroneous alternative construction. *Planned Parenthood of Se. Penn.* v. *Casey*, 505 U.S. 833, 854 (1992) (opinion of O'Connor, Kennedy, and Souter, JJ.). Since 1990, patent plaintiffs have had their choice to sue in any of the country's 94 district courts, without meaningful limit. The consequences have been dreadful: As numerous scholars, inventors, and producers have noted, unscrupulous patentees have taken full advantage of their ability to dictate the rules, norms, and judges that will govern the litigation they bring. Non-practicing entities, in particular, have chosen to litigate in districts that accord their allegations favorable treatment, in both procedure and substance. Their typical targets—cutting-edge technology companies of all sizes, like amicus's members—bear the worst consequences of the Federal Circuit's misinterpretation of the statute. Indeed, fully 60 percent of all cases brought by non-practicing entities are filed in an improper venue.

Forum shopping is transforming patents from tools to encourage innovation into weapons with which to exact tribute from productive companies. Today, the reward for successful innovation often consists of patent infringement lawsuits tenuously connected to the accused products, and filed in courts that will all but guarantee a trial. Fight or settle, the innovative company faces a hefty bill, a drag on its engineers' time and focus, and the risks of legal uncertainty. This forum shopping has made patent litigation a significant cost of, and deterrent to, innovation. There is no warrant for it in the statute, and it should end.

A. The Federal Circuit's Loose Venue Standard Has Generated Rampant And Unseemly Forum Shopping.

1. VE Holding *Has Rendered Patent Litigation Dysfunctional.*

The Federal Circuit's 1990 decision in *VE Holding*, which adopted respondent's reading of the venue statute, removed the bulwark against forum shopping that had been in place for nearly 90 years. *VE Holding* held that Section 1391(c) governs venue in patent cases. 917 F.2d at 1579-84; *accord* Pet. App. 4a. That section provides that a corporation or other legal entity may be sued wherever it is "subject to the court's personal jurisdiction." 28 U.S.C. § 1391(c)(2); *see also VE Holding*, 917 F.2d at 1578, 1584. The most salient impact of allowing patent venue to the limits of personal jurisdiction has been to empower non-practicing entities to file suit virtually anywhere in the country.

For example, the court of appeals recently found personal jurisdiction over a defendant manufacturer in Delaware because it sends its "accused products to Delaware retailers," even though a third party "takes title in Finland, and pays for and directs shipments to the United States." *Polar Electro Oy* v. *Suunto Oy*, 829 F.3d 1343, 1350 (Fed. Cir. 2016).[4] Other decisions of the Federal Circuit have deemed nearly any

---

[4] The Court is considering the limits of personal jurisdiction in *Bristol-Myers Squibb Co.* v. *Super. Ct. of Cal., San Francisco Cnty.*, No. 16-466. While *Bristol-Myers* may restrict somewhat the broad personal jurisdiction the Federal Circuit currently permits (*see* Bristol-Myers Pet. 15), it cannot restore the independent venue restriction enshrined in the special patent venue statute.

location where infringement occurs sufficient for "personal jurisdiction"—and thus also sufficient to satisfy Section 1391(c)(2). Under Federal Circuit law, "purposefully shipp[ing] the accused [product] into [the forum] through an established distribution channel" may be enough to subject a defendant otherwise unconnected with the forum to suit there. *Beverly Hills Fan Co.* v. *Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994).

In application, this principle operates only in favor of patentees: A company accused of infringing a patent may not bring a declaratory judgment action against a defendant patentee in a venue of the company's choice. Unlike the rule in "the ordinary patent infringement suit," the defendant patentee's "acts of making, using, offering to sell, selling, or importing products" in the forum do not confer personal jurisdiction. *Avocent Huntsville Corp.* v. *Aten Int'l Co.*, 552 F.3d 1324, 1332, 1336 (Fed. Cir. 2008). And where the patentee is a non-practicing entity that has no meaningful operations, venue generally only is available in its district of incorporation.

As now-Judge (and author of the decision below), then-Professor, Kimberly Moore explained, these one-sided "liberalizations of the jurisdiction and venue statutes, combined with the technological feasibility and ease of national commerce, have greatly expanded the plaintiff's choice of forum, which in turn has intensified and facilitated forum shopping. This means that national corporations may be sued in virtually any U.S. district court." Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 897 (2001). Today, even more than in 2001, "*VE Holding* basically

permits patent owners to sue [corporations] for infringement anywhere." Chien & Risch, *supra*, at 4. Technology and software companies, whose products and services—which increasingly are sold online or are themselves online—are available nationwide now find themselves subject to suit in "a large number of U.S. district courts, if not all ninety-four." Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 Am. U. L. Rev. 961, 986 (2014) ("Anderson 2014").

As a result, the *majority* of cases filed today are brought in venues where the defendant is neither incorporated nor has any regular and established place of business, i.e., venues not permitted by *Fourco*. Chien & Risch, *supra*, at 34-35. Plaintiffs select districts with little connection to the defendant or its alleged infringement: Defendants are "sued in the district of their primary place of business only 14% of the time" and in districts housing *any* place of business (including "retail stores") only "29% of the time." *Id.* at 31.

Many of those suits in inconvenient and improper venues are brought by patent trolls. This Court has recognized that patent "[t]rolls," which "are entities that hold patents for the primary purpose of enforcing them against alleged infringers," harm the patent system by "exacting outsized licensing fees on threat of litigation." *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016). Trolls bring 60% of their lawsuits in venues that are improper under *Fourco*. Chien & Risch, *supra*, at 34.

Technology and software companies like amicus's members are especially likely to find themselves the

target of trolls armed with weak but broad and vague patents. An October 2016 Federal Trade Commission study found that trolls "focused on ... asserting Information and Communication Technology" patents, especially "software patents." Fed. Trade Comm'n, Patent Assertion Entity Activity 5 (2016); *see also id.* ch. 5. Indeed, "[s]oftware patents may account for over ninety percent of troll[s'] most-litigated patents." Debra Brubaker Burns, *Titans and Trolls Enter the Open-Source Arena*, 5 Hastings Sci. & Tech. L.J. 33, 65 (2013).

Even small technology startups have become targets of patent trolls—in part because patent litigation can be disproportionately disruptive to such nascent firms. *See* Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 464, 472-78 (2014). In the technology industry especially, demands and lawsuits from patent trolls "unsettle the operation of small companies," including by impacting their funding. Garry A. Gabison, *Spotting Software Innovation in a Patent Assertion Entity World*, 8 Hastings Sci. & Tech. L.J. 97, 135 (2016). And, as the Executive Office of the President has warned, "[e]ven if patent assertion entities do not prevail in the courtroom, their actions can significantly reduce incremental innovation while litigation is ongoing, a situation that can persist for years." Executive Office of the President, *Patent Assertion and U.S. Innovation* 10 (2013), https://obamawhitehouse.archives.gov/sites/default/files/docs/patent_report.pdf; *accord*, *e.g.*, James Bessen et al., *The Private and Social Costs of Patent Trolls,* 34 Regulation, Winter 2011-2012, at 26.

Patent trolls "frequently attempt to capitalize on their virtually unencumbered choice of venue to shop

for the best district courts to file their suits." Kevin A. Meehan, *Shopping for Expedient, Inexpensive & Predictable Patent Litigation*, 2008 B.C. Intell. Prop. & Tech. F., Nov. 2008, at 1, http://bciptf.org/2008/11/meehan. Plaintiffs have used their nearly boundless choice of forum to concentrate lawsuits in a few courts. In 2015, 44% of all lawsuits alleging patent infringement were filed in the Eastern District of Texas. *See* Chien & Risch, *supra*, at 37; Pet. Br. 14-16. In 2016, the Eastern District's share was 36%. Brian Howard, *Lex Machina Q4 Litigation Update*, Lex Machina (Jan. 12, 2017), https://lexmachina.com/q4-litigation-update. Indeed, *one judge* in Marshall, Texas hears *a quarter* of the nation's patent cases. *See* Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 6-8 & nn.21, 26 (2017); Kaleigh Rogers, *The Small Town Judge Who Sees a Quarter of the Nation's Patent Cases*, Vice (May 5, 2016, 9:00 AM), http://motherboard.vice.com/read/the-small-town-judge-who-sees-a-quarter-of-the-nations-patent-cases. This court is remote from most technology companies and population centers, containing "no major cities" (Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 271 (2016)), only "about 1% of the total U.S. population" (Chien & Risch, *supra*, at 3), and not "so much as a single office" of *any* "of the U.S. computer industry's most prolific patent applicants" (Love & Yoon, *supra*, at 8-9). It is not surprising, then, "that less than 2% of patent suits brought in the Eastern District were filed to enforce patented technology invented in East Texas and that less than 8% were filed against defendants with a corporate office located in the district." *Id.* at 10. By contrast,

"close to 90% of cases filed in the Northern District of California involved either a patent invented in the district or an accused infringer with an office in the district." *Ibid.* Yet the Eastern District of Texas attracts more cases than all technology centers, including the Northern District of California, combined. *Id.* at 7 & n.23.

The Eastern District of Texas has become the "location of choice" for patent trolls. Love & Yoon, *supra*, at 3, 6-11; *accord, e.g.*, Joe Mullin, *Trolls Made 2015 One of the Biggest Years Ever for Patent Lawsuits*, ArsTechnica (Jan. 5, 2016), http://arstechnica.com/tech-policy/2016/01/despite-law-changes-2015-saw-a-heap-of-patent-troll-lawsuits. In 2015, one of the most active years of patent litigation, over two-thirds of cases were filed by non-practicing entities—and those non-practicing entities chose the Eastern District of Texas for the vast majority of their targets. *See* RPX, *2015 NPE Activity Highlights* 4-5, 9 (2016), http://www.rpx-corp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf. A recent study found that over 90% of patent cases in the Eastern District of Texas assert computing and telecommunications patents, and over 90% of patent plaintiffs in that court are trolls. Love & Yoon, *supra*, at 9.

Respondent argues that its interpretation would "bring patent venue in closer harmony with general venue standards" (BIO 19), but forum shopping is peculiarly prevalent in patent cases. Non-patent cases are much less concentrated: While 44% of patent suits were filed in East Texas in 2015, for non-patent suits "the top-district attracted only 14% of all cases." Chien & Risch, *supra*, at 33. Contrary to respondent's argument that Congress would not have foreseen the

"forum-shopping 'revolution'" in patent cases and thus sensibly chose to treat patent cases like any other (BIO 20), Congress has always had ample reason to guard patent cases in particular from the evils of forum shopping even as it expanded plaintiffs' choice of venue for other cases. *See* Pet. Br. 33-34.

2. Motions To Transfer For Convenience Have Not Solved The Problem.

Motions to transfer brought under 28 U.S.C. § 1404(a) have not been able to cure the misalignment of patent and non-patent cases as patent trolls have devised vulpine strategies to defeat motions to transfer—and chosen courts that are likely to bless their strategies. Klerman & Reilly, *supra*, at 260-63. "[S]erial patent litigants, such as non-practicing entities and their counsel" have engaged in transparent "manipulation of venue" to avoid transfer. Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Ind. L. Rev. 343, 388 (2012). For example, a patent troll "transported copies of its patent prosecution files" into East "Texas office space" and successfully argued to the Eastern District of Texas that the suit should remain in that court rather than moving to a court where the defendant, with its numerous employees and witnesses, maintained its principal place of business. *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1381-82 (Fed. Cir. 2010).

These strategies impose little costs on trolls, which "generally lack a principal place of business—or, for that matter, assets other than the patents-in-suit"—and, consequently, enjoy "the flexibility to form LLCs and file suit wherever they deem most advantageous for litigation purposes." Love & Yoon, *supra*, at

12. "Many have noted the proliferation of empty offices in East Texas leased by patent-holding LLCs for purposes of manufacturing an apparent connection to the Eastern District." *Id.* at 12 n.35. Even though "cases litigated in the Eastern District of Texas overwhelmingly involve patents covering inventions made elsewhere, asserted against parties located elsewhere, and by plaintiffs with little or no connection to the region prior to filing a complaint," and thus motions to transfer under Section 1404(a) are uncommonly meritorious, that district is "*less* likely" to "grant motions to transfer." Love & Yoon, *supra*, at 12-13, 16 (emphasis added).

When a court denies transfer, defendants' only recourse is mandamus, which requires showing that the district court clearly abused its discretion in applying a multifactor test. *See In re TS Tech USA Corp.*, 551 F.3d 1315, 1318-19 (Fed. Cir. 2008). This "even higher burden" than ordinary review of discretionary district court decisions (*id.* at 1319) makes it difficult for the court of appeals to correct even blatant errors. Yet the Federal Circuit has identified many cases that meet even this high threshold. Since *TS Tech*, it has begun rectifying a handful of the most egregious transfer denials. *See* Klerman & Reilly, *supra*, at 260-61; *see also*, *e.g.*, EFF Cert. Br. 13. Indeed, it has granted mandamus to order transfer 17 times since *TS Tech*, while all other courts of appeals have done so only 5 times *combined*. That is so even though the Federal Circuit applies the same law as those regional circuits. *See TS Tech*, 551 F.3d at 1319.

Seventeen is a relatively large number of writs of mandamus—but it is a tiny fraction of the patent cases brought in inconvenient and improper forums.

Indeed, "the transfer rate actually has declined" since *TS Tech*, due in part to strategies like incorporating and placing "nominal headquarters" in their district of choice. Chien & Risch, *supra*, at 19. And, because patentees' favored courts frequently delay ruling on transfer motions while proceeding with discovery and substantive phases of the case—a practice known to patent litigants as a "pocket veto"—patentees can impose great costs on defendants even if they ultimately win transfer by mandamus. *See* Love & Yoon, *supra*, at 16. Indeed, defendants have been forced to seek mandamus to require the district court to *rule* on transfer motions, incurring great costs in the meantime. *See, e.g.*, *In re Google Inc.*, No. 2015-138, 2015 WL 5294800, at *1-2 (Fed. Cir. July 16, 2015).

Thus, patent trolls have been able to select the district of their choice for their lawsuits—even though their suits have "no connection whatsoever to the district" (Klerman & Reilly, *supra*, at 261-63)—and remain fairly assured that their choice of a plaintiff-friendly forum will stick at least long enough to extract a settlement.

B. Forum Shopping Is The Root Of Many Problems In Patent Law.

Patent plaintiffs choose particular districts in which to sue because those districts favor them, procedurally and substantively. *See* Pet. Br. 16; EFF Cert. Br. 14-21. Indeed, even a decade ago, commentators already recognized that "some districts appear to be competing for patent litigation" by adopting practices favorable to patent asserters. Meehan, *supra*, at *4-5. The competition only has intensified in recent years.

The courts that attract the most patent litigation today often "requir[e] parties to submit briefs to seek permission to file summary judgment motions" or simply maintain "a norm shared by the district's judges to grant summary judgment motions rarely." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 655, 674-75 (2015) ("Anderson 2015"). For example, an accused infringer's summary judgment motion filed outside the Eastern District of Texas is "over twenty percentage points more likely to be granted at least in part than one filed in the Eastern District of Texas." Love & Yoon, *supra*, at 17; *accord* Klerman & Reilly, *supra*, at 253.

Trolls' favored courts also place procedural impediments to motions to dismiss. Klerman & Reilly, *supra*, at 253 & n.48. Motions to dismiss grounded on *Alice Corp. Pty. Ltd.* v. *CLS Bank Int'l*, 134 S. Ct. 2347 (2014), a potential means of quickly terminating litigation involving software patents, are particularly disfavored. *See* Love & Yoon, *supra*, at 30.

Although patentee-selected courts generally can be expected to deny motions that would remove the case from their dockets, they are quick to impose pretrial obligations that substantially burden defendants. *See* Love & Yoon, *supra*, at 21-25. Such courts typically refuse to stay cases pending dispositive motions (such as motions to dismiss) while ordering expensive discovery and proceeding with other resource-intensive phases of the case (such as claim construction). Klerman & Reilly, *supra*, at 263-65, 268-70; Love & Yoon, *supra*, at 21-25. For example, the East Texas judge who handles the most patent cases in the country "orders that document production be complete

within about ten months of filing" in spite of any pending motions to transfer, dismiss, or stay. Love & Yoon, *supra*, at 22; *see also* E.D. Tex. R. CV-26(a). Even in the relatively rare instance that such a court grants a motion to transfer, it tends to wait until "much later in the pre-trial process" than other courts. Love & Yoon, *supra*, at 16. Similarly, favored courts take "an unusually long time to grant summary judgment." *Id.* at 17.

Even when accused infringers challenge the asserted patents in the PTO under the new procedures Congress designed as an "alternative to district court litigation" (*Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016) (citation omitted))—a situation that would typically prompt other courts to stay litigation—patentees' favored courts will require defendants to proceed with burdensome discovery and pretrial proceedings while they simultaneously must litigate in the Office. Love & Yoon, *supra*, at 26.

Coupled with discovery obligations that "are unusually broad in scope," a court thus can impose millions of dollars of expenses on defendants even if the court ultimately agrees that the case should be stayed, transferred, or dismissed outright. Love & Yoon at 22 & n.62. And because patent trolls "have less discoverable information" (for example, due to a lack of products and even employees), these enormous burdens fall on defendants while they spare troll plaintiffs. FTC, *supra*, at 9-10. "[S]eemingly mundane procedural choices, like the relative timing of discovery deadlines, transfer decisions, and claim construction," therefore can have massive effects. Love & Yoon, *supra*, at 5. The *VE Holding* regime has ensured that

plaintiffs can impose immediate burdens on defendants virtually at will and without regard to the merits of their cases.

A defendant faced with these hefty burdens of litigation—even if its case should have been dismissed at the outset—often will elect to settle rather than fight. The FTC found that trolls often obtain settlements at "approximate[ly] the lower bound of early-stage litigation costs of defending a patent infringement suit." *See* FTC, *supra*, at 4, 43. The Commission thus concluded that "discovery costs, and not the technological value of the patent, may set the benchmark for settlement value" of troll suits. *Id.* at 10. "Simply by filing a complaint in" a favorable court, "these plaintiffs can predictably and consistently impose large costs on their opponents and leverage those costs to extract settlements that primarily reflect a percentage of a defendant's expected litigation costs, from virtually any infringer, no matter where they are located in the U.S." Love & Yoon, *supra*, at 34.

The incentive to settle is especially strong given the outsized damages awards patent defendants are subject to in plaintiff-friendly courts. *See* Anderson 2015, *supra*, at 653; Love & Yoon, *supra*, at 18-19 n.52; Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J. L. & Tech. 193, 211-12 (2007) (collecting examples). Today, district courts may, at "their discretion," multiply these damages. *Halo*, 136 S. Ct. at 1933-34. The potential for even larger verdicts now looms over defendants.

Thus, even where the asserted patents are weak, patent trolls can expect to extract significant rents from productive companies by bringing or threatening lawsuits in favorable districts. *See* Acushnet CAFC Br. 10; Anderson 2015, *supra*, at 655-56. Patentees have successfully used these threats to obtain quick settlements: Over 80% of cases in East Texas settle within one year, versus less than two-thirds in other districts. Love & Yoon, *supra*, at 14-15. Indeed, trolls can sue numerous defendants and obtain settlements from each at little cost to themselves. *Id.* at 24.

The result is a significant tax on innovation—the opposite of the goal of the patent system. *See* Executive Office of the President, *supra*, at 6, 9-12. As a direct consequence of this tax and the "waste[] [of] resources" attendant to "increasing litigation costs," forum shopping "decrease[s] innovation" by chilling competitors, who will "systematically over-comply with the scope of the patent holder's exclusive right, consistently expanding the property right beyond what was intended when the patent was granted." Moore, *supra*, at 925-30; *see also* Pet. 19-22 & nn.8-14.

Beyond coercing unjust settlements, forum shopping generates other pernicious consequences. "Forum shopping confounds and complicates litigation by selectively creating pockets of district courts that apply the law in a nonuniform manner," worsening "the problem that patent suits already face of accurate application of the law." Teresa Lii, *Shopping for Reversals: How Accuracy Differs Across Patent Litigation Forums*, 12 Chi.-Kent J. Intell. Prop. 31, 39 (2013). Patentee-selected courts are "more inaccurate at applying patent law than other districts." *Id.* at 45.

For example, over a span of *eighteen years* ending in 2006, no Eastern District of Texas jury found in favor of a defendant. Elizabeth P. Offen-Brown, *Forum Shopping and Venue Transfer in Patent Cases: Marshall's Response to* TS Tech *and* Genetech, 25 Berkeley Tech. L.J. 61, 71 (2010). This court, like others favored by patentees, is "significantly more likely to rule for the patentee" (and vastly more likely to rule for patent trolls) than courts not chosen by patentees. Chien & Risch, *supra*, at 16 (citation omitted). The Eastern District of Texas also has a "high reversal rate on appeal" (indeed, "twenty or more percentage points" higher than "other popular districts"), suggesting that "the district is too friendly to patent plaintiffs" on substantive issues of law—in addition to favoring plaintiffs using the practically unreviewable procedural hurdles discussed above. Love & Yoon, *supra*, at 19.

Generating more accurate results in more cases is reason enough to discourage forum shopping. Further, accuracy aside, the "unpredictability and inconsistency in the application of the law among the district courts" that follows from courts' disparate willingness to grant dispositive motions against patentees is a problem of its own. Moore, *supra*, at 924. "This instability erodes public confidence in the law and its enforcement and creates doubt about the fairness of the system." *Ibid.* In the 16 years since Judge Moore's article was published, numerous outside observers have confirmed that forum shopping has "harmed the reputation of the patent system." Chien & Risch, *supra*, at 3.

No radical reform is needed to alleviate these ill effects of forum shopping. This Court need only return the standard for patent venue to the one Congress has retained, and this Court has enforced, for over a century. "[P]ermissive venue rules" have generated a "race to the bottom" as courts adopt practices that favor patent plaintiffs and thereby "scuttle otherwise effective reforms." Love & Yoon, *supra*, at 5-6, 25-35. Restoring the limited patent venue rule Congress enacted would "cancel the race altogether." *Id.* at 35-36. It therefore "may be the single most effective reform" of the patent system. *Id.* at 35.

CONCLUSION

The Court should reaffirm "that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)" (*Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222, 229 (1957)), and reverse the decision below.

Respectfully submitted.

MATTHEW D. MCGILL
Counsel of Record
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
mmcgill@gibsondunn.com

ALEXANDER N. HARRIS
GIBSON, DUNN & CRUTCHER LLP
555 Mission Street, Suite 3000
San Francisco, CA 94105
(415) 393-8200

Counsel for Amicus Curiae the Software & Information Industry Association

February 6, 2017